

THE LIBRARY OF CONGRESS

Consolidated Balance Sheet

As of September 30, 2001 and 2000

(Dollars in Thousands)

	2001	2000
ASSETS		
Intragovernmental Assets		
Fund Balance with Treasurv (Note 2)	\$ 291,566	\$ 176,647
Investments (Note 5)	606,214	649,197
Accounts Receivable, Net (Note 6.A)	5,447	8,835
Other Assets	1,759	726
Investments (Note 5)	59,432	26,369
Accounts Receivable, Net (Note 6.A)	257	274
Pledges Receivable - Donations (Note 6.B)	10,591	71,694
Cash and Other Monetary Assets (Note 3)	700	980
Inventory (Note 7)	2,100	2,592
Property and Equipment, Net (Note 8)	56,504	60,587
Other Assets	35	442
Library Collections (Note 1.M)		
Total Assets	<u><u>\$ 1,034,605</u></u>	<u><u>\$ 998,343</u></u>
LIABILITIES		
Intragovernmental liabilities		
Accounts Payable	\$ 1,101	\$ 3,699
Advances from Others	25,930	28,844
Accrued Funded Payroll, Benefits	2,675	2,576
Accrued Unfunded Workers' Compensation (Note 11)	1,742	1,899
Accounts Payable	24,857	25,148
Advances From Others	2,522	2,563
Custodial Liability	556,147	612,326
Accrued Funded Payroll, Benefits	15,549	15,350
Deposit Account Liability	4,598	4,406
Accrued Unfunded Annual and Compensatory Leave	18,430	18,173
Actuarial Unfunded Workers' Compensation (Note 11)	9,404	9,588
Deferred Credits - Pledges	0	58,102
Capital Lease Liability (Note 10.A)	633	727
Other Liabilities (Note 13)	<u>1,547</u>	<u>3,460</u>
Total Liabilities	665,135	786,861
NET POSITION		
Balances:		
Unexpended Appropriations (Note 15)	202,329	78,690
Cumulative Results of Operations	<u>167,141</u>	<u>132,792</u>
Total Net Position	<u><u>369,470</u></u>	<u><u>211,482</u></u>
Total Liabilities and Net Position	<u><u>\$ 1,034,605</u></u>	<u><u>\$ 998,343</u></u>

The accompanying notes are an integral part of these financial statements.

THE LIBRARY OF CONGRESS

Consolidated Statement of Net Costs

For the Fiscal Year Ended September 30, 2001 and 2000

(Dollars in Thousands)

	2001	2000
<i>Net Costs by Program Area:</i>		
National Library:		
Program Costs	\$ 320,508	\$ 269,969
Less Earned Revenue	<u>6,648</u>	<u>5,144</u>
Net Program Costs	<u>313,860</u>	<u>264,825</u>
Law Library:		
Program Costs	14,642	15,625
Less Earned Revenue	<u>8</u>	<u>5</u>
Net Program Costs	<u>14,634</u>	<u>15,620</u>
Copyright Office:		
Program Costs	54,293	51,924
Less Earned Revenue	<u>24,572</u>	<u>25,258</u>
Net Program Costs	<u>29,721</u>	<u>26,666</u>
Congressional Research Service:		
Program Costs	99,743	97,832
Less Earned Revenue	<u>0</u>	<u>0</u>
Net Program Costs	<u>99,743</u>	<u>97,832</u>
National Library Service for the Blind and Physically Handicapped:		
Program Costs	50,109	45,620
Less Earned Revenue	<u>0</u>	<u>0</u>
Net Program Costs	<u>50,109</u>	<u>45,620</u>
Reimbursable and Revolving Funds:		
Program Costs	71,779	75,409
Less Earned Revenue	<u>57,240</u>	<u>58,728</u>
Net Program Costs	<u>14,539</u>	<u>16,681</u>
Costs not Assigned to Programs		
Less Earned Revenue Not Attributed to Programs	<u> </u>	<u> </u>
Net Costs of Operations	\$ <u>522,606</u>	\$ <u>467,244</u>

The accompanying notes are an integral part of these financial statements.

THE LIBRARY OF CONGRESS

Consolidated Statement of Changes in Net Position

For the Fiscal Year Ended September 30, 2001 and 2000

(Dollars in Thousands)

	2001	2000
Net Costs of Operations	\$ 522,606	\$ 467,244
Financing Sources (Other than Exchange Revenue)		
Appropriations Used	390,976	382,442
Imputed Financing (Note 21)	53,672	51,366
Donations	132,133	36,417
Other Non-Exchange Revenue	(19,826)	7,636
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Total Financing Sources	<u>556,955</u>	<u>477,861</u>
Net Change in Cumulative Results of Operations	34,349	10,617
Increase in Unexpended Appropriations (Note 22)	<u>123,639</u>	<u>8,007</u>
Change in Net Position	157,988	18,624
Net Position, Beginning	<u>211,482</u>	<u>192,858</u>
Net Position, Ending	<u>\$ 369,470</u>	<u>\$ 211,482</u>

The accompanying notes are an integral part of these financial statements.

THE LIBRARY OF CONGRESS

Combined Statement of Budgetary Resources

For the Fiscal Year Ended September 30, 2001 and 2000

(Dollars in Thousands)

	2001	2000
Budgetary Resources		
Budget Authority	\$ 818,823	\$ 641,430
Unobligated Balances - Beginning of Period	680,374	846,102
Spending Authority from Offsetting Collections	95,134	97,887
Adjustments, net	<u>8,324</u>	<u>(595)</u>
Total Budgetary Resources	<u>\$ 1,602,655</u>	<u>\$ 1,584,824</u>
Status of Budgetary Resources		
Obligations Incurred, New	\$ 849,666	\$ 900,348
Unobligated Balance - Available	734,499	661,732
Unobligated Balance - Not Available	<u>18,490</u>	<u>22,744</u>
Total, Status of Budgetary Resources	<u>\$ 1,602,655</u>	<u>\$ 1,584,824</u>
Outlays		
Obligations Incurred, New	\$ 849,666	\$ 900,348
Less: Spending Authority from Offsetting Collections and Adjustments	<u>109,325</u>	<u>103,645</u>
Subtotal	740,341	796,703
Obligated Balance, net - Beginning of Period	137,719	122,412
Less: Obligated Balance, net - End of Period	<u>135,614</u>	<u>133,617</u>
Total Outlays	<u>\$ 742,446</u>	<u>\$ 785,498</u>

The accompanying notes are an integral part of these financial statements.

THE LIBRARY OF CONGRESS

Combined Statement of Financing

For the Fiscal Year Ended September 30, 2001 and 2000

(Dollars in Thousands)

	2001	2000
Obligations and Nonbudgetary Resources		
Obligations incurred, new	\$ 849,666	\$ 900,348
Spending authority from offsetting collections and adjustments	(109,325)	(103,645)
Donations not in the budget	58,861	17,486
Imputed financing	53,672	51,367
Transfers-in (out)	0	(512)
Exchange revenue not in the budget	(141)	0
Trust/Special fund exchange revenue receipts	<u>(10,269)</u>	<u>(8,588)</u>
Total obligations as adjusted and nonbudgetary resources	<u>842,464</u>	<u>856,456</u>
Resources Not Funding Net Costs of Operations		
Increase in budgetary resources for undelivered orders	(1,406)	(9,578)
Increase in unfilled customer orders, excluding unearned refunds	2,015	3,992
Costs capitalized on the balance sheet	(73,895)	(33,817)
Financing sources that fund costs of prior periods	(131)	0
Adjustments for Trust fund outlays not affecting net cost	(32)	0
Refunds of nonexchange revenue and Copyright Licensing royalties	<u>(269,137)</u>	<u>(374,624)</u>
Total resources not funding net costs of operations	<u>(342,586)</u>	<u>(414,027)</u>
Costs That Do Not Require Resources		
Depreciation and amortization	22,379	23,434
Bad debt from public vendor overpayment receivables	(1)	55
Disposition of assets	3	0
Other costs	<u>347</u>	<u>318</u>
Total costs that do not require resources	<u>22,728</u>	<u>23,807</u>
Financing Sources Yet to be Provided		
Increases in unused annual leave and actuarial liability	<u>0</u>	<u>1,008</u>
Net Cost of Operations	<u>\$ 522,606</u>	<u>\$ 467,244</u>

The accompanying notes are an integral part of these financial statements.

THE LIBRARY OF CONGRESS
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Years Ended September 30, 2001 and 2000

1 <i>Summary of Significant Accounting Policies</i>
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A. Reporting Entity

The Library of Congress (Library), a legislative branch agency of the federal government, was established in 1800 primarily to provide information and policy analyses to the members and committees of the U.S. Congress. Since then, the Library has been assigned other major missions such as administering the U.S. copyright laws, providing cataloging records to the nation's libraries, and coordinating a national program to provide reading material for blind and physically handicapped residents of the U.S. and its territories and U.S. citizens residing abroad. The Library also provides services to other federal agencies and administers various gift and trust funds.

The Library's programs and operations are subject to oversight by the Joint Committee on the Library which is comprised of members of the U.S. House of Representatives and Senate. The Library relies primarily on appropriated funds to support its programs and operations. Budget requests are subject to review by the House and Senate Appropriations Subcommittees on Legislative Branch Appropriations. The Library also receives funds from other agencies for services provided under the Economy Act and other statutes. In addition, the Library receives donations from the public in the form of gifts and trusts. The trust funds are controlled by the Library of Congress Trust Fund Board, which consists of the Librarian of Congress (who is Chairman and Secretary of the Trust Fund Board), the Chairman and Vice-Chairman of the Joint Committee on the Library, the Secretary of the Treasury (or an assistant secretary designated in writing by the Secretary of the Treasury), and ten additional members appointed by the President (two), the U.S. House of Representatives (four), and the U.S. Senate (four).

Entity activities are those for which the Library has the authority to use the assets. Non-entity activities consist primarily of custodial accounts that are not available for use by the Library.

B. Basis of Presentation

The accompanying financial statements report the financial position, net costs, changes in net position, budgetary resources and financing of the Library for fiscal years 2001 and 2000. Certain amounts for 2000 have been reclassified to conform with the 2001 presentation of those amounts. These consolidated and combined financial statements include the accounts of all funds under the Library's control which have been established and maintained to account for the resources of the Library. They were prepared from the Library's financial management system in accordance with generally accepted accounting principles.

As a legislative branch agency, the Library is not required to follow the executive agency accounting principles established by the Comptroller General under 31 U.S.C. 3511 or the standards developed by the Federal Accounting Standards Advisory Board (FASAB). However, the Library maintains its fund balances with the Department of the Treasury and submits information required to incorporate its financial and budget data into the overall federal government structure. For purposes of financial management and reporting, the Library has issued a regulation (LCR 1510), which adopts the federal standards for financial reporting and internal controls in a manner consistent with a legislative agency. The Library has not adopted the Federal Financial Management Improvement Act of 1996, the Federal Managers Financial Integrity Act and the Government Performance and Results Act, as these standards are not applicable to the Library. However, the Library uses these sources as guidance and reference in its

THE LIBRARY OF CONGRESS
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Years Ended September 30, 2001 and 2000

operations. All significant intra-agency balances and transactions have been eliminated in consolidation.

The statements include 5 (5) appropriated fund accounts; 11 (11) revolving funds; reimbursable funds (including four major programs); 98 (93) trust funds; and 133 (133) gift funds for fiscal year 2001 (and 2000, respectively).

C. Basis of Accounting

Transactions are recorded on the accrual basis and are within budgetary limitations established to facilitate compliance with legal constraints and controls over use of federal funds. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

The General Accounting Office (GAO), Office of Management and Budget (OMB), and Department of the Treasury established the FASAB for the purpose of considering and recommending accounting principles, standards, and requirements to GAO, Treasury, and OMB. FASAB has issued, and the three sponsoring organizations have approved, a comprehensive set of accounting standards which cover most transactions. The accompanying financial statements are prepared in accordance with these standards. However, transactions that are not addressed by these standards may still be incurred and the following hierarchy shall be viewed as the source of providing generally accepted accounting principles:

- . Individual FASAB standards agreed to by the Controller General, the Director of OMB, and the Secretary of the Treasury, and published by OMB and the General Accounting Office;
- . Interpretations related to the FASAB standards issued by FASAB and Technical Releases issued by the FASAB's Accounting and Auditing Policy Committee;

- . Requirements contained in OMB's Form and Content Bulletin in effect for the period covered by the financial statements;
- . Library of Congress Regulations and Financial Services Directives; and
- . Accounting principles published by authoritative standard-setting bodies and other authoritative sources (1) in the absence of other guidance in the first four parts of this hierarchy, and (2) if the use of such accounting standards improve the meaningfulness of the financial statements.

D. Revenues and Other Financing Sources

The Library receives the majority of its funding to support its programs through five appropriations that include both annual and no-year funding. The appropriated funds may be used, within statutory limits, for operating and capital expenditures including equipment, furniture and furnishings. The five appropriations are:

- . Library of Congress, Salaries and Expenses - (annual and no-year)
- . Copyright Office, Salaries and Expenses - (annual and no-year)
- . Congressional Research Service, Salaries and Expenses - (annual)
- . National Library Service for the Blind and Physically Handicapped, Salaries and Expenses - (annual and no-year)
- . Furniture and Furnishings - (annual and no-year)

Additional amounts are obtained through reimbursements from services performed for other federal agencies as authorized by the Economy Act and the Library's annual appropriations legislation. Also, the Library receives gifts from donors and interest on invested funds. In addition, the Library operates several self-sustaining gift revolving funds that generate revenues from the sale of various products and services to the public and federal customers.

THE LIBRARY OF CONGRESS
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Years Ended September 30, 2001 and 2000

Appropriations are recognized as revenues at the time they are expensed. Other revenues are recognized when earned. Reimbursable and revolving fund revenue is recognized when goods have been delivered or services rendered.

E. Gift and Trust Funds

The Library administered 231 and 226 gift and trust funds with combined asset value of approximately \$109 million and \$150 million during fiscal years 2001 and 2000, respectively. Funds are restricted as to their use, which must be in accordance with the terms of the gift agreement. In general, funds are either temporarily restricted (principal may be spent) or permanently restricted (principal may not be spent). Additional restrictions may be imposed on trust funds by the terms of a trust agreement or donor's will. Library fund managers administer and oversee the gift and trust funds to ensure they are used as directed by the donors and in accordance with Library policy.

F. Fund Balance with Treasury

The amount shown as Fund Balance with Treasury represents the balances of the appropriated, reimbursable, gift and trust, revolving, deposit and custodial funds that are on deposit with the U.S. Treasury.

G. Cash and Other Monetary Assets

Cash and other monetary assets are defined as all cash not held by the U.S. Treasury. This category includes deposits in transit, cash on hand and imprest funds.

The Library receives and utilizes foreign currencies in carrying out operations abroad as it conducts business through six overseas offices. Foreign currency balances at year-end are immaterial to the financial statements.

H. Investments (Net)

Gift and Trust Funds - The Library of Congress Trust Fund Board determines the investment policy for the Library's gift and trust funds. The policy provides three options for investment of trust funds:

- . a permanent loan with the U.S. Treasury
- . a pool of U.S. Treasury market-based securities
- . a private investment pool consisting of the following stock, index and money market funds utilized during fiscal year 2001 and 2000:
 - . Vanguard 500 Index Fund
 - . Vanguard Total Stock Market Index Fund
 - . Vanguard Prime Money Market Fund
 - . Fidelity Fifty Fund
 - . Fidelity Stock Selector
 - . Robertson Stephens Funds - The Emerging Growth Fund

The policy for gift funds allows only for investment in U.S. Treasury market-based securities.

Under 2 U.S.C. 158, up to \$10 million of the Library's gift and trust funds may be invested with the U.S. Treasury as a permanent loan at a floating rate of interest, adjusted monthly, but no less than four percent per annum. The permanent loan is an interest bearing investment recorded at cost, which is market value.

Treasury securities are intended to be held to maturity, are valued at cost, and are adjusted for the amortization of discounts and premiums. Interest is computed using the straight-line method, which approximates the effective interest method.

Stock and money market funds are stated at current market value and are considered available for sale. Unrealized gains and losses are recognized and

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recorded as a component of non-exchange revenue in the statement of changes in net position.

All gift and trust fund investments are obtained and held by the gift and trust funds under conditions set forth in the respective gift and trust instruments.

Custodial Fund - Copyright royalties collected by the Copyright Office on behalf of copyright owners are invested, net of service fees, in U.S. Treasury securities. Treasury securities are intended to be held to maturity, are valued at cost and are adjusted for the amortization of discounts and premiums. Interest is computed using the straight-line method which approximates the effective interest method. These investments will be held until distributions are made to copyright owners. Income accrues to the benefit of the copyright owners.

Deposit Funds - Pursuant to Public Law 105-80, funds deposited by copyright applicants are invested, based on the unearned balance available, by the Copyright Office in U.S. Treasury securities. Treasury securities are intended to be held to maturity, are valued at cost and are adjusted for the amortization of discounts and premiums. Interest is computed using the straight-line method, which approximates the effective interest method. These investments will be held until the deposit fees are earned and income accrues to the benefit of the Copyright Office.

I. Accounts Receivable

Accounts receivable generally resulted from billings to other federal agencies under reimbursable interagency agreements for database retrieval and other library services. The Library has established an allowance for doubtful accounts of \$22,337 and \$38,899 for fiscal years 2001 and 2000, respectively, against governmental accounts receivable based on past collection experience. The Library does not record allowance for doubtful accounts for intragovernmental accounts receivable in accordance with FASAB's Statement of Federal Financial Accounting Standards (SFFAS) No. 1, "Accounting for Selected Assets and Liabilities," which cites that "losses on receivables

should be recognized when it is more likely than not that the receivable will not be totally collected." Intragovernmental receivables are likely to be totally collected.

J. Pledges Receivable

Contributions of unconditional promises to give (pledges) to the Library and the Library of Congress Trust Fund Board are recognized as donated revenue in the period the pledge is received. They are recorded at their estimated present value using a market-based discount rate. Accretion of the discount in subsequent years is also recorded as donated revenue. Substantially all of the Library's pledges are from major corporations or donors. In the past, the Library has collected all pledges in full, therefore, no allowance for uncollectible pledges has been established.

K. Inventory

The Library's inventories are primarily comprised of bibliographic products, unissued supplies and unused postage that will be consumed in future operations; materials used to reproduce printed materials; sound recordings for both internal and external sales; and sales shop merchandise for resale. Consumable operating supplies are valued at cost using a first-in first-out method of valuation. Sales shop merchandise is valued at cost or market, whichever is lower. The recorded values of inventory and operating materials and supplies are adjusted for the results of periodic physical counts.

L. Property and Equipment

For fiscal years prior to 1998, the Library capitalized furniture and equipment at cost if the initial acquisition cost was \$10,000 or more. Starting in fiscal year 1998, the Library capitalizes furniture and equipment at cost if the initial acquisition cost is \$25,000 or more. Depreciation is computed on a straight-line basis using estimated useful lives.

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NOTES TO THE FINANCIAL STATEMENTS
Fiscal Years Ended September 30, 2001 and 2000

The largest category of equipment is for the National Library Service for the Blind and Physically Handicapped lending program which is classified as equipment on loan to the public in Note 8. The Library purchases this unique, specially-designed equipment from the manufacturer in large lots with a high bulk value. For financial reporting purposes, the machines are grouped by the aggregate amount purchased and shipped to machine lending agencies during a fiscal year. Each fiscal year group is then accounted for over the estimated useful life of the assets in the aggregate. The value of the equipment does not include any freight or postage costs. These shipping costs are included under the U.S. Postal Service's "free matter for the blind and physically handicapped." The value of this service has not been determined.

Operating equipment is amortized over a 3 to 20-year period. Software includes ADP software purchased from outside vendors and software defined as "internal use software" in accordance with SFFAS No. 10, "Accounting for Internal Use Software," which became effective for fiscal year 2001. All software recorded has an estimated useful life of three years or more and a value of at least \$10,000 per item acquired in fiscal years 1997 and prior or at least \$100,000 per item acquired in fiscal years after 1998.

Leased equipment meeting the criteria for capitalization in accordance with Statements of Federal Accounting Standards is included in property and equipment.

The Library occasionally acquires property and equipment by direct gift or by purchase from funds donated for a specific purpose or project. Because property is generally not restricted for use to gift and trust activities, property accounts are not maintained in the gift and trust funds. Capitalized property and equipment acquired through gifts are recognized as donated revenue in the gift and trust funds and transferred to the Library's appropriated fund. The Library records the donated property and equipment at its fair market value at the time of the gift.

Land and buildings are excluded from the Library's property and equipment accounts because they are under the custody and control of the Architect of the

Capitol. This arrangement encompasses four Capitol Hill buildings (the Thomas Jefferson, James Madison, John Adams Buildings, and the Special Facilities Center) and a secondary storage facility at Fort Meade, Maryland. Costs associated with the acquisition and maintenance of these buildings are accounted for by the Architect. However, in accordance with SFFAS No. 4, "Managerial Cost Accounting Standards," a current year expense of \$30.8 million and \$30.1 million was recorded for the acquisition and maintenance of these buildings for fiscal years 2001 and 2000, respectively, and was offset by an imputed financing source, which represents the amount being financed by the Architect. For both fiscal years 2001 and 2000, the Architect received appropriations totaling \$16.0 million to fund the structural and mechanical care of these buildings. This appropriation is not reflected in the accompanying financial statements. The Library does capitalize and depreciate leasehold improvements to all of its facilities as long as the improvement was made using the Library's funding sources.

M. Library Collections

The Library's collections are classified as Aheritage assets," and their value is not presented on the financial statements. Stewardship information covering the acquisition, use, preservation, and security of the collections is contained in a supplementary Stewardship Report.

N. Liabilities

Liabilities represent the amounts that are likely to be paid by the Library as a result of transactions that have already occurred. Liabilities for which an appropriation has not been enacted, or which are the result of deposit account activities, are classified as liabilities not covered by budgetary resources. For accrued unfunded annual leave, compensatory time earned, workers' compensation and capital lease liabilities, it is not certain that appropriations will be enacted to fund these amounts.

Advances From Others are funds received for the reimbursable programs, the Photoduplication Service and the Cooperative

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Acquisitions Program that have not yet been earned.

Custodial and Deposit Liabilities are customer funds on deposit for Copyright and Cataloging Distribution Service products and services. This category also includes the custodial funds for Copyright royalties.

Accrued Annual and Compensatory Leave - The Library's basic leave policy is contained in Title 5, U.S.C.; the Uniform Annual and Sick Leave Regulations of the Office of Personnel Management; and the decisions of the Comptroller General. Generally, each employee may carry forward a maximum of 240 hours of annual leave per calendar year. Accrued annual leave is accrued as it is earned and adjusted at the end of each fiscal year based on annual leave earned and taken. Annual leave earned in excess of the maximum permitted carryover is forfeited. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates.

Employees' compensatory time earned but not taken is also accrued at year-end. An employee may accumulate a maximum of 40 hours of compensatory time during the fiscal year. A maximum of 20 hours may be carried forward from one leave year to the next only when it was earned during the last pay period of the leave year. Exceptions to the accumulation and carry forward rules require

the approval of the Librarian or his/her designee.

Sick leave and other types of nonvested leave are expensed as taken.

Capital Lease Liabilities are liabilities resulting from capital leases of equipment.

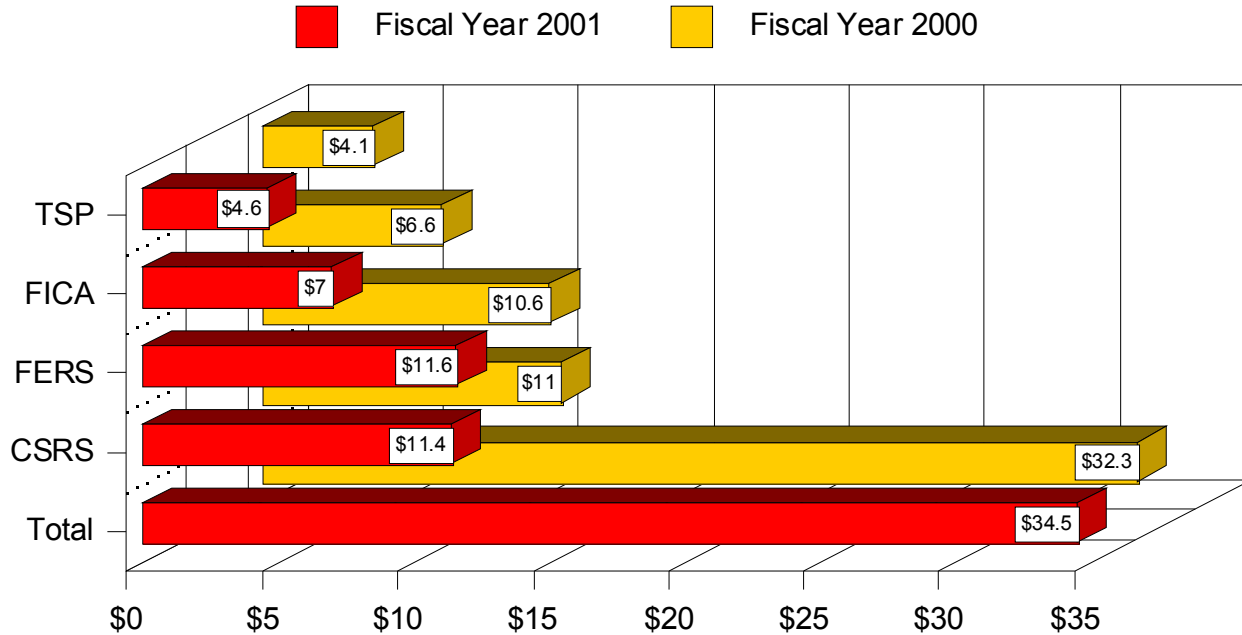
O. Federal Employee Benefits

Approximately 46 and 50 percent of the Library's employees participated in the Civil Service Retirement System (CSRS) during fiscal years 2001 and 2000, respectively, to which the Library makes contributions equal to 8.5 percent of pay. A small number of employees under CSRS are also covered by Social Security (FICA) for which the Library's contribution is slightly less. An additional 48 and 46 percent of the Library's employees were covered by the Federal Employees Retirement System (FERS) during fiscal years 2001 and 2000, respectively, to which the Library makes employer contributions equal to 10.7 percent of pay, in addition to matching employee Thrift Savings Plan (TSP) contributions up to an additional five percent of pay. Under FERS, the employee is also covered by FICA to which the Library contributes the employer's matching share. The remaining six percent and four percent during fiscal year 2001 and 2000, respectively, of the Library employees were only covered by FICA to which the Library contributes the employer's matching share.

The accrued amounts due for the contributions due at the end of the fiscal year are reported as liabilities covered by budgetary resources.

**THE LIBRARY OF CONGRESS
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Years Ended September 30, 2001 and 2000**

Contributions To Federal Employment Programs For Fiscal Years 2001 and 2000



The actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability of Social Security, FERS and CSRS is not allocated to individual Federal departments and agencies. However, in accordance with SFFAS No. 5, "Accounting for Liabilities of the Federal Government," current year expenses of \$22.1 million and \$20.4 million were recorded for the service cost of the Library's employee retirement, health and life insurance benefits during fiscal years 2001 and 2000, respectively, and was offset by an imputed financing

source, which represents the amount being financed directly by OPM.

P. Intragovernmental Activities

Inter-entity costs are costs of services provided by other federal entities to the Library. When these costs are provided at no cost or at a reduced cost, the Library recognizes in its accounting records the full costs of the services it receives as an expense and as a corresponding financing source. These financial

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statements include unreimbursed inter-entity costs for the Architect of the Capitol, Office of Personnel Management, the Government Printing Office and the Department of the Treasury.

The financial activities of the Library interact with and depend on other federal government agencies. Thus, the Library's financial statements do not reflect all financial decisions and activities applicable to it as if it were a stand-alone entity.

1. The Library's financial statements are not intended to report the agency's share of the federal deficit or of public borrowings, including interest thereon.

2. The Library's program for the blind and physically handicapped participates in the U.S. Postal Service's "Matter for Blind and Other Handicapped Persons" program (39 U.S.C. 3403 - 3406). This Postal Service program receives an appropriation from Congress to provide free postage for qualifying organizations, programs, and individuals such as mail from war zones, letters from blind people to anyone, and organizations which work for the blind. The Library's National Library Service for the Blind and Physically Handicapped uses this free matter program for mailing all books and equipment to its participating lending libraries and patrons.

3. Governmental Services:

a. The Library is authorized to provide to other federal libraries and agencies services such as automated library information and other data base retrieval services through data base vendors and in-house research studies. These services are provided on a cost reimbursement basis and are billed in advance of providing the services. At year-end the Library

estimates the amount received in advance (Advances From Others - Intragovernmental) and the amount to be received for services provided (Accounts Receivable - Intragovernmental).

b. Three governmental agencies provide administrative services to the Library on a reimbursable basis:

. The Department of Agriculture's National Finance Center (NFC) processes the Library's personnel, payroll, and employee benefits accounting transactions. In fiscal years 2001 and 2000, the Library paid \$497,203 and \$453,587 for these services, respectively.

. The Library utilizes the services of the Department of State as documented by the International Cooperative Administrative Support Services (ICASS) system to support the Library's six overseas field offices. The Library paid \$1,123,586 and \$1,140,891 for these support services in fiscal years 2001 and 2000, respectively.

. The General Services Administration (GSA) provides building and vehicle leasing services for the Library. (See Note 9B)

c. As noted under Note 1.L, the Architect of the Capitol provides the structural and mechanical care of the Library's Capitol Hill facilities and remote storage site at Fort Meade, Maryland.

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Q. Related Party Organizations and Transactions

The Library lends support to several related organizations, projects, and programs from which it receives benefits in various forms. The following is a list of these organizations or programs:

1. Civilization Magazine - Civilization, a bimonthly magazine published under license from the Library by Civilization, L.L.C., a limited liability company based in Delaware, was launched in November 1994. The original publisher was L.O.C. Associates, L.P., which sold their interest to Civilization, L.L.C., in January 1997. Under the licensing agreement, the Library may receive donations and must approve all promotional, editorial, and advertising material using the Library's name. In September 2000, the publisher announced that the magazine would be discontinued and the October/November, 2000 issue was the final issue published.

2. Telephone Pioneers of America - The Telephone Pioneers is a large industry-related organization that voluntarily repairs playback machines for the blind and physically handicapped program. Approximately 1,500 Telephone Pioneers (AT&T retirees) and Elfuns (General Electric retirees) repair the cassette book machines and talking book machines. Their labor is valued at \$4.2 million per year.

3. Library of Congress Child Care Association (LCCCA) - The LCCCA is a nonprofit corporation under the District of Columbia's Nonprofit Corporation Act. It was granted 501(c)(3) status by the Internal Revenue Service on August 31, 1992, and currently operates as the "Little Scholars Child Development Center." The center is located on the ground floor of the Library's Special Facilities Center, 601 East Capitol Street, District of Columbia. The center

provides childcare for Library employees and other federal and non-federal employees. Its operations, management, and employees are the responsibility of the LCCCA and not the Library. However, the Library and the Architect of the Capitol support the center with equipment, free space, cleaning and maintenance of grounds and building, utilities, local telephone service, and security. The value of the services provided by the Library cannot be readily determined. In addition, the Library, in accordance with Public Law 106-554, pays the government contributions for individuals receiving health, life and retirement benefits provided by the Office of Personnel Management. The Library paid \$83,893 for these benefits in fiscal year 2001. The Library provides an official who is a non-voting representative on the center's Board of Directors and who acts as a liaison with the Library.

4. The Archer M. Huntington Charitable Trust - This charitable trust was established in 1936 and is controlled and invested by the Bank of New York. The assets of the endowment are not a part of the Library of Congress Trust Fund Board and the board's only control over its investment activities is through the Librarian of Congress' role as trustee. The trust is defined as a split-interest agreement with a fair value of assets of \$5,429,764 and \$8,144,350 at September 30, 2001 and 2000, respectively. The Library is entitled to one-half of the income from the trust for perpetuity, which is used to support a rotating consultantship to bring "distinguished men of letters . . ." to the Library. Currently, the income assists in the funding of a "poet laureate" position, the acquisition of materials for the Library's Hispanic collections, and the promotion of activities of the Hispanic Division, particularly those which relate to Spain, Portugal and Latin America. In fiscal Years 2001 and 2000, the Library received

THE LIBRARY OF CONGRESS
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\$165,882 and \$146,605 from the trust, respectively.

5. Ira and Leonore Gershwin Trust Fund and Related Charitable Trust - Under the will of Mrs. Leonore Gershwin, the Library of Congress Trust Fund Board is the beneficiary of 37.5 percent of Mrs. Gershwin's "1987 Trust." The will established the "Library Charitable Trust" which was accepted by the Library of Congress Trust Fund Board in January 1992. The primary purpose of the trust is to perpetuate the name and works of George and Ira Gershwin through all resources of the Library. The charitable trust does not belong to the Library but is a separate entity administered by trustees. The net income of the charitable trust is distributed to the Library's Ira and Leonore Gershwin Trust Fund yearly or upon the request of the Library. Income is recorded by the Library in the period received. The balance of principal of the charitable trust will be distributed to the Library in 2033, fifty years after the date of death of Ira Gershwin. The Library received \$439,478 and \$339,872 in goods, services and direct contributions from the trust during fiscal year 2001 and 2000, respectively.

6. "Friends" Organizations - Three organizations lend support to Library programs through gifts of money and other property, but are incorporated as independent entities under the Internal Revenue Service Code, Section 501 (c)(3).

a. Millennium Foundation, Inc. - The Foundation operates for charitable, educational and literary purposes solely to benefit, support, and carry out the purposes of the Library. The Library allows the foundation to use its name in connection with the performance of activities approved by the Library. This right exists only so long as the foundation is engaged in activities that directly or indirectly support the mission and objectives of the Library.

b. Friends of the Law Library - This national non-profit organization supports educational programs, outreach, research, and the acquisition of rare materials and other activities of the Law Library not covered by federal appropriations.

c. Friends of Libraries for the Blind - The non-profit organization's purpose is to heighten awareness and visibility of national library services for blind and physically handicapped individuals in the United States and Canada, assist and promote library services, provide cultural enrichment programs, and create and issue periodic communications on topics related to blind and physically handicapped individuals.

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NOTES TO THE FINANCIAL STATEMENTS
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2 *Fund Balance With Treasury*

Fund balance with Treasury at September 30, 2001 and 2000, is summarized as follows:

(Dollars in Thousands)

	2001	2000
1. ENTITY		
Appropriated Funds	\$228,947	\$108,895
Reimbursable and Revolving Funds	50,019	54,487
Gift and Trust Funds	12,560	13,174
Total Entity	\$291,526	\$176,556
2. NON-ENTITY		
Custodial Funds	\$40	\$91

(1) At September 30, 2001 and 2000, the gift and trust fund balance with Treasury included \$10 million invested in the permanent loan at interest rates of percent 5.3 and 5.6 percent, respectively.

(2) Pursuant to Public Law 106-554, \$20 million is unavailable for expenditure until an implementation plan for the National Digital Information Infrastructure and Preservation Program (NDIIPP) is approved by Congress. In addition, \$75 million is unavailable for expenditure unless matched with non-Federal contributions for the NDIIPP that are received by March 31, 2003.

3 *Cash and Other Monetary*

Cash and Other Monetary Assets consists of the following:

(Dollars in Thousands)

	2001	2000
Cash On Hand:	\$361	\$690
Imprest Funds	48	46
Deposits In Transit	291	244
Total	\$700	\$980

THE LIBRARY OF CONGRESS
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Years Ended September 30, 2001 and 2000

4 <i><u>Custodial Funds</u></i>
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The Library of Congress Copyright Office Licensing Division administers the compulsory and statutory licenses covered by the Copyright Act (17 U.S.C.). The Licensing Division receives royalty fees from cable television operators for retransmitting television and radio broadcasts, from satellite carriers for retransmitting "superstation" and network signals, and from importers and manufacturers for distributing digital audio recording products (DART). Refunds may arise when a cable, satellite, or DART remitter inadvertently overpays or is otherwise entitled to a refund. The Licensing Division invests the licensing royalty fees in market-based U.S. Treasury notes and bills. Because these investments are held in a custodial capacity for the copyright owners, income does not accrue to the Library's benefit.

If disputes arise regarding the disposition of the royalties, the Librarian convenes a Copyright Arbitration Royalty Panel. The panel consists of three arbitrators selected from a list of professional arbitrators nominated by professional arbitration associations. The Librarian, upon the recommendation of the Register of Copyrights, selects two of the three arbitrators who, in turn, select the third arbitrator. This individual serves as the chairperson of the panel.

The Librarian reviews the panel's decisions and has 90 days to adopt or reject the panel's decision. Decisions may be appealed to the United States Court of Appeals for the District of Columbia Circuit.

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NOTES TO THE FINANCIAL STATEMENTS
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5 *Investments, Net*

Investments at September 30, 2001 and 2000 are as follows:

(Dollars in Thousands)

	2001			2000		
	A. Intragovernmental Investments Non-Marketable, Market-Based	B. Other Investments Private Sector	Total	A. Intragovernmental Investments Non-Marketable, Market-Based	B. Other Investments Private Sector	Total
Face Value	\$603,725		\$603,725	\$650,161		\$650,161
Cost		78,944	78,944		\$23,723	23,723
Unamortized Premium	2,271		2,271	449		449
Unrealized Discount	612		612	2,199		2,199
Interest Receivable	830		830	786		786
Investments, Net	606,214	78,944	685,158	649,197	23,723	672,920
Market Value	\$606,746	\$59,432	\$666,178	\$648,347	\$26,369	\$674,716

A. Intragovernmental Investments

Non-marketable, market-based securities are Treasury notes and bills issued to governmental accounts that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. Trust fund investment maturity dates for fiscal years 2001 and 2000 range from October 4, 2001 to August 15, 2005 and October 2, 2000 to August 15, 2005, respectively, and interest rates for the same fiscal year ranges from 2.1 percent to 10.8 percent and 5.7 percent to 10.8 percent, respectively.

Custodial funds investment maturity dates for fiscal years 2001 and 2000 range from October 4, 2001 to August 31, 2002 and October 12, 2000 to August 31,

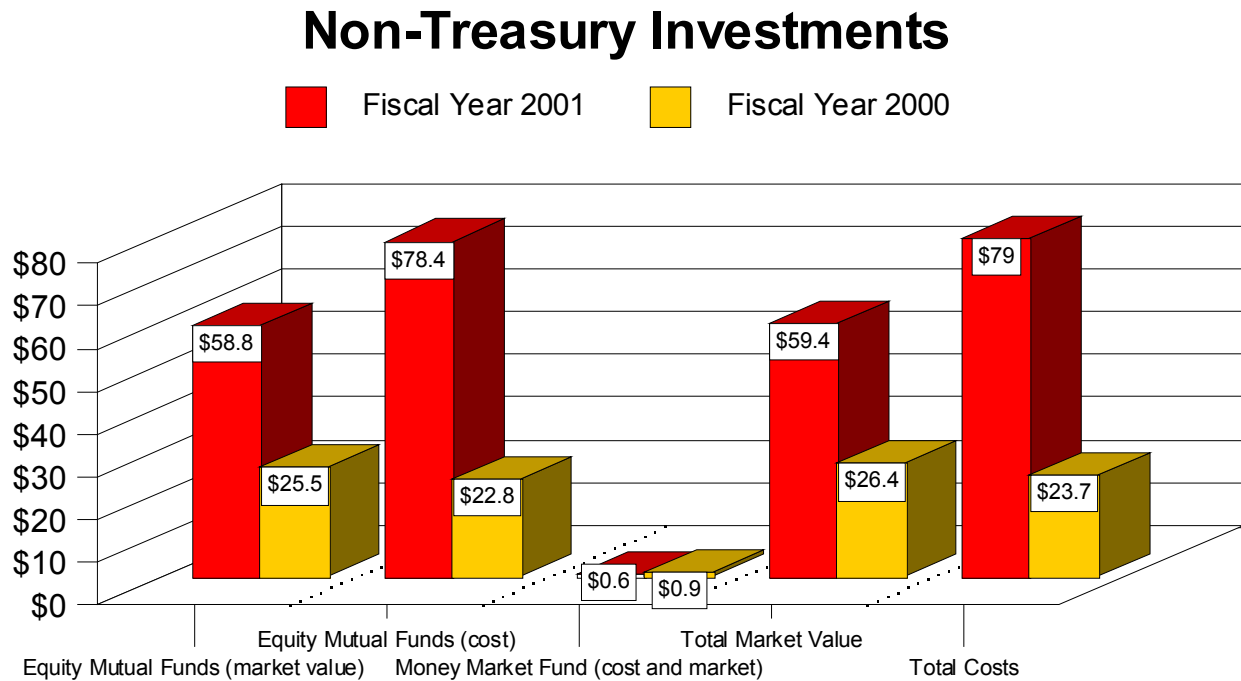
2001, and interest rates for the same fiscal years range from 2.0 percent to 6.6 percent and 4.9 percent to 6.0 percent, respectively.

B. Other Investments

Other investments are the Library's investments in private sector money market and mutual funds. Cost was derived from the investments made plus reinvested gains, dividends, and interest.

**THE LIBRARY OF CONGRESS
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Years Ended September 30, 2001 and 2000**

Balances at September 30, 2001 and 2000, are as follows:



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NOTES TO THE FINANCIAL STATEMENTS
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6 Receivables

The breakdown of consolidated gross and net accounts receivable at September 30, 2001 and 2000, are as follows:

A. Accounts Receivable

(Dollars in Thousands)

	2001	2000
Intragovernmental		
Accounts Receivable, Gross	\$5,447	\$8,835
Allowance for Doubtful Accounts		
Accounts Receivable, Net	5,447	8,835
Other		
Accounts Receivable, Gross	279	313
Allowance for Doubtful Accounts	22	39
Accounts Receivable, Net	257	274

B. Pledges Receivable

At September 30, 2001 and 2000, the Library had unconditional pledges of contributions totaling \$11.1 million and \$73.3 million, which were discounted

through fiscal years 2006 and 2005 at a market discount rate and included in the statement of financial position at their discounted value of \$10.6 million and \$71.7 million, respectively.

The amounts due in future years, at September 30, at their current discounted value are:

(Dollars in Thousands)

Fiscal Year	2001	2000
2001	-	65,362
2002	6,688	3,326
2003	2,238	1,695
2004	1,149	925
2005	178	386
2006	338	0
Total	\$10,591	\$71,694

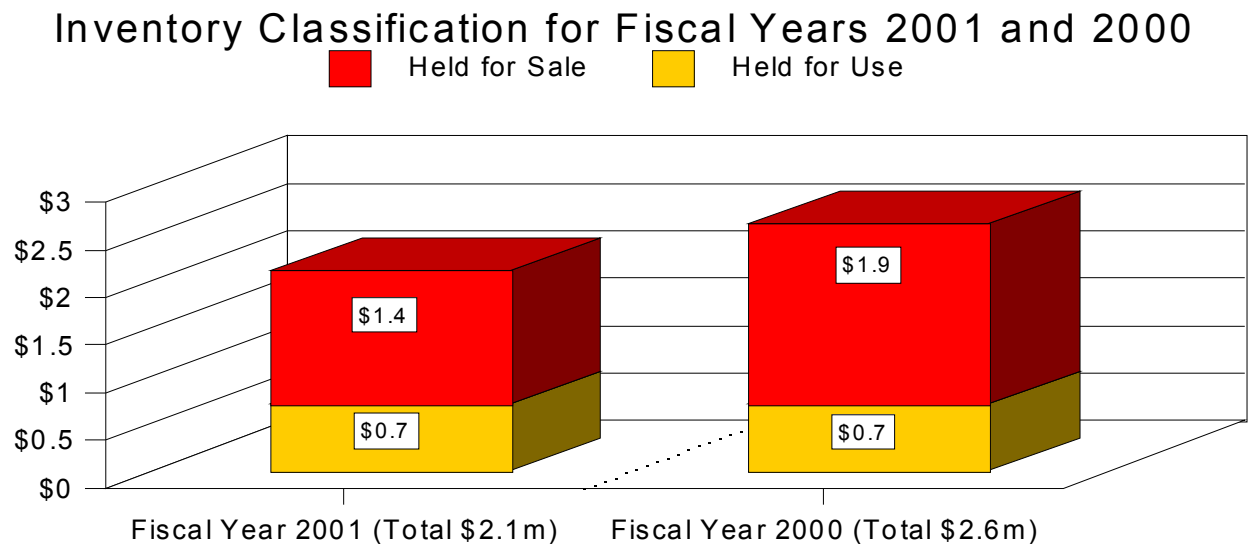
THE LIBRARY OF CONGRESS
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Years Ended September 30, 2001 and 2000

7 Inventory

The Library's inventory is primarily comprised of bibliographic products, unissued supplies, and unused postage that will be consumed in future operations;

materials used to reproduce printed materials; sound recordings for both internal and external sales; and sales shop merchandise for resale.

The following table shows inventory held for use and held for sale at September 30, 2001 and 2000:



8 Property and Equipment

Property and equipment accounts are maintained in three categories of funds: Appropriated, Reimbursable and Revolving. The appropriated fund category includes all property and equipment used by the Library for general operations. Property and equipment purchased by FEDLINK, the Federal Research Division and the Integrated Support Services Administrative Working Fund are recorded in the

reimbursable fund. Property and equipment purchased by Photoduplication Services, the Recording Laboratory and the Cooperative Acquisitions Program are recorded in the revolving fund. The following table shows property and equipment, combined for the three categories, which were capitalized at September 30, 2001 and September 30, 2000.

THE LIBRARY OF CONGRESS
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Years Ended September 30, 2001 and 2000

(Dollars in Thousands)

	2001			2000		
Classes of Property and Equipment	Acquisition Value	Accumulated Depreciation/Amortization	Net Book Value	Acquisition Value	Accumulated Depreciation/Amortization	Net Book Value
Operating equipment	\$54,233	\$45,636	\$8,597	\$44,677	\$34,861	\$9,816
Software	7,660	4,110	3,550	5,300	3,369	1,931
Furniture & Furnishings	960	320	640	960	272	688
Capital Leases	1,081	508	573	10,122	4,227	5,895
Leasehold Improvements	10,652	7,767	2,885	10,116	6,977	3,139
NLS/BPH Equipment - loan to public	89,576	49,317	40,259	88,774	49,656	39,118
Total	\$164,162	\$107,658	\$56,504	\$159,949	\$99,362	\$60,587

THE LIBRARY OF CONGRESS
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Years Ended September 30, 2001 and 2000

9 *Entity and Non-Entity Assets*

(Dollars in Thousands)

	2001			2000		
	Entity	Non-Entity	Total	Entity	Non-Entity	Total
Intragovernmental Assets						
Fund Balance with Treasury	\$291,525	\$41	\$291,566	\$176,556	\$91	\$176,647
Investments	51,207	555,007	606,214	36,867	612,330	649,197
Accounts Receivable, Net	5,443	4	5,447	8,835		8,835
Other Assets	1,759		1,759	726		726
Investments	59,432		59,432	26,369		26,369
Accounts Receivable, Net	256	1	257	279	5	274
Pledge Receivable - Donations	10,591		10,591	71,694		71,694
Cash and other Monetary Assets	700		700	980		980
Inventory	2,100		2,100	2,592		2,592
Property and Equipment, Net	56,504		56,504	60,587		60,587
Other Assets	35		35	442		442
Total	\$479,552	\$555,053	\$1,034,605	\$385,917	\$612,426	\$998,343

THE LIBRARY OF CONGRESS
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Years Ended September 30, 2001 and 2000

10 Leases

A. Capital Leases

The Library has capitalized leases for machinery and equipment at a net book value of \$573,105 and \$5,895,622 as of September 30, 2001 and 2000, respectively.

The lease agreements are annual fiscal year contracts that are subject to the availability of funding. The agreements contain a lease to purchase provision and there is no penalty for discontinuing the lease and turning back equipment prior to the completion of the

agreement. During fiscal year 1999, the Library entered into a three-year incremental funding agreement with the General Services Administration for the purchase of computer data storage equipment. The payments for this incremental funding agreement were not evenly distributed over the term of the agreement and were accrued based on available funding, as long as the minimum payment was made by the end of the fiscal year. These agreements concluded during fiscal year 2001 and the leases were converted to property, plant and equipment as of September 30, 2001. Estimated future minimum lease payments are as follows:

(Dollars in Thousands)

Fiscal Year Ended September 30	2001	2000
2001	-	\$487
2002	\$293	153
2003	239	111
2004	155	28
2005	128	0
Total Future Lease Payments	815	779
Less: Imputed Interest	182	52
Net Capital Lease Liability	\$633	\$727

B. Operating Leases

The Library leases office space and vehicles from the General Services Administration and has entered into other operating leases for various types of equipment. Additionally, the Library's overseas field offices lease

operating space from the Department of State. Lease costs for office space, vehicles and equipment for fiscal year 2001 and 2000 amounted to \$2,462,329 and \$2,497,288 respectively. Estimated future minimum lease payments through fiscal year 2005 are as follow:

THE LIBRARY OF CONGRESS
NOTES TO THE FINANCIAL STATEMENTS
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(Dollars in Thousands)

Fiscal Year Ended September 30	2001	2000
2001		\$2,302
2002	\$2,416	195
2003	59	83
2004	45	31
2005	0	14
Total Estimated Future Lease Payments	\$2,520	\$2,625

11 Workers' Compensation

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for Library employees under FECA are administered by the Department of Labor and later billed to the Library.

The Library accrued \$1,741,546 and \$1,898,963 of unbilled or unpaid workers' compensation costs as of September 30, 2001 and 2000, respectively, and established an estimated unfunded liability for future costs based on historical claims rates. The estimated future unfunded liability is \$9,403,630 and \$9,587,970 as of September 30, 2001 and 2000, respectively, and is based on a ten-year projection.

12 Contingent Liabilities

Several claims relating to employment matters are outstanding against the Library. While management cannot predict the outcome of the claims and is unable to estimate the potential loss, the maximum loss under each claim may not exceed \$300,000 in compensatory

damages, plus any equitable relief (back pay, front pay, attorney's fees). Under law, any claims settled internally would be paid from the Library's funds and any claims defended in court would be settled by the Treasury's Claims, Judgments and Relief Act Fund.

THE LIBRARY OF CONGRESS
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Years Ended September 30, 2001 and 2000

13 *Other Liabilities*

Other Liabilities as of September 30, 2001 and 2000 are comprised of the following:

(Dollars in Thousands)

	2001 Current	2000 Current
Deferred Credits	\$1,533	\$3,398
Accounts Payable	0	46
Liability with Treasury B Cash in Safe	8	10
Custodial Liability	6	6
Totals	\$1,547	\$3,460

14 *Liabilities Covered and Not Covered by Budgetary Resources*

(Dollars in Thousands)

	2001	2000
Liabilities Covered by Budgetary Resources	\$633,379	\$693,904
Liabilities Not Covered by Budgetary Resources	31,756	92,957
Total Liabilities	\$665,135	\$786,861

Liabilities covered by budgetary resources include accounts payable, advances from others, accrued funded payroll and benefits, custodial liabilities, and deposit account liabilities. Liabilities not covered by budgetary resources include accrued unfunded annual and compensatory leave, accrued unfunded workers compensation, deferred credits, capital lease liability, and other liabilities.

THE LIBRARY OF CONGRESS
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Years Ended September 30, 2001 and 2000

15 <i>Unexpended Appropriations</i>
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The components of unexpended appropriations at September 30, 2001 and 2000 are as follows:

(Dollars in Thousands)

	2001	2000
Undelivered Orders	\$66,249	\$61,918
Unobligated		
(a) Available	128,183	8,767
(b) Unavailable	7,897	8,005
Total Unexpended Appropriations	\$202,329	\$78,690

Unexpended appropriations consist of unobligated balances and undelivered orders. Unobligated balances represent amounts appropriated which are unobligated and have not lapsed, been rescinded, or withdrawn.

Undelivered orders represent obligations the Library had incurred as of September 30, 2001 and 2000, for goods and services, which were ordered, but had not been received, by that date.

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NOTES TO THE FINANCIAL STATEMENTS
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16 Eliminations

A. Balance Sheet

(Dollars in Thousands)

	2001	2000
	Eliminations	Eliminations
Assets:		
Intragovernmental		
Accounts Receivable	\$1,275	\$1,700
Other Assets		191
Total Eliminations	\$1,275	\$1,891
Liabilities:		
Intragovernmental		
Accounts Payable	\$1,274	\$1,699
Advances from Others	0	192
Accrued Funded Employee Benefits	1	0
Total Eliminations	\$1,275	\$1,891

The elimination amounts in this note have been excluded from the corresponding line amounts on the consolidated statements.

THE LIBRARY OF CONGRESS
NOTES TO THE FINANCIAL STATEMENTS
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B. Net Costs

(Dollars in Thousands)

	2001	2000
	Eliminations	Eliminations
Program Costs:		
National Library	\$4,237	\$5,160
Law Library	95	159
Copyright Office	5,290	4,040
Congressional Research Service	741	1,232
National Library Service for the Blind and Physically Handicapped	130	89
Reimbursable and Revolving Funds	1,899	1,463
Total Eliminations	\$12,392	\$12,143
Earned Revenue:		
Copyright Office	\$4,283	\$3,310
Reimbursable and Revolving Funds	8,109	8,833
Total Eliminations	\$12,392	\$12,143

The elimination amounts in this note have been excluded from the corresponding line amounts on the consolidated statements.

THE LIBRARY OF CONGRESS
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Years Ended September 30, 2001 and 2000

17 *Program Costs by Budget Object Classification*

(Dollars in Thousands)

Consolidated	2001	2000
Personnel Services and Benefits	\$326,985	\$317,499
Travel and Transportation	3,053	3,101
Rental, Communication and Utilities	8,054	8,826
Printing and Reproduction	5,944	4,605
Contractual Services	155,430	112,041
Supplies and Materials	7,828	8,601
Library Materials	58,993	61,328
Non-Capitalizable Equipment	17,165	10,971
Depreciation and Amortization	22,382	23,434
Grants, Subsidies and Contracts	5,104	4,965
Other Program Costs	136	1,008
Total Program Costs	\$611,074	\$556,379

The Library's collections are classified as "heritage assets", \$13,078 and \$14,812 of the amount designated as "Library Materials" above represents the fiscal years 2001 and 2000 cost incurred by the Library for "heritage assets".

THE LIBRARY OF CONGRESS
NOTES TO THE FINANCIAL STATEMENTS
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18 *Program Costs and Earned Revenue by Functional Classification*

Program Costs by Functional Classification - Consolidated

(Dollars in Thousands)

Function Classification	2001	2000
International Affairs		
Commerce and Housing Credit	\$54,063	\$51,582
Education, Training, Employment and Social Services	458,075	407,924
General Government	98,868	96,857
Income Security	68	16
Other		
Total	\$611,074	\$556,379

Earned Revenue by Functional Classification - Consolidated

(Dollars in Thousands)

Function Classification	2001	2000
Commerce and Housing Credit	\$24,598	\$25,296
Education, Training, Employment and Social Services	63,853	63,821
General Government	17	18
Total	\$88,468	\$89,135

THE LIBRARY OF CONGRESS
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Years Ended September 30, 2001 and 2000

19 *Exchange Revenues*

In accordance with Library of Congress Regulation (LCR) 1510, Financial Services, the Library must comply with any OMB circular or bulletin if it is specifically prescribed in (1) a LCR, (2) a FSD Directive, or (3) if required by law. OMB Circular No. A-25, User Charges, does not fall into any of these three categories, but may be used by the Library as a useful point of reference. Circular No. A-25 requires that user charges be sufficient to recover the full costs to the federal government. Full costs include all direct and indirect costs to any part of the federal government of providing the good or service, including unreimbursed inter-entity costs.

The Copyright Office's registration operations have legislatively mandated fees, which do not require the

recovery of the full costs of operations. The Register is authorized to fix fees at a level not more than necessary to recover reasonable costs incurred for services plus a reasonable adjustment for inflation. Fees should also be fair and equitable and give due consideration to the objectives of the copyright system.

If the Library were to increase fees and prices to recover full costs to the government of providing these goods and services, this would in some cases reduce the quantity of goods and services demanded. It is not practicable to provide reasonable estimates regarding (1) revenue foregone from charging fees that do not recover full costs to the government and (2) to what extent the quantity of goods and services demanded would change as a result of changes in prices and fees.

20 *Classification of Program Costs*

(Dollars in Thousands)

Fiscal year 2001	Intragovernmental		Public		Total
	Production	Non-Production	Production	Non-Production	
National Library	\$65,241	\$15	\$255,174	\$78	\$320,508
Law Library	4,628	0	10,014		14,642
Copyright Office	14,438	12	39,843		54,293
Congressional Research Service	23,403	4	76,336		99,743
National Library Service for the Blind and Physically Handicapped	4,548	2	45,559		50,109
Reimbursable and Revolving Funds	7,779	9	63,991		71,779
Costs not Assigned to Programs					

THE LIBRARY OF CONGRESS
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(Dollars in Thousands)

Fiscal year 2000	Intragovernmental		Public (Production)	Total
	Production	Non-Production		
National Library	\$59,954	\$19	\$209,996	\$269,969
Law Library	4,781	0	10,844	15,625
Copyright Office	14,114	12	37,798	51,924
Congressional Research Service	22,832	11	74,989	97,832
National Library Service for the Blind and Physically Handicapped	3,399	1	42,220	45,620
Reimbursable and Revolving Funds	6,503	7	68,899	75,409
Costs not Assigned to Programs				

21 *Imputed Financing*

In accordance with SFFAS No. 4, "Managerial Cost Accounting Standards," the Library has recorded expenses for the unreimbursed full costs of goods and services that it receives from other legislative branch agencies (i.e., the Architect of the Capitol and the Government Printing Office) and executive branch agencies specifically identified for fiscal years 2001 and 2000 reporting by the Office of Management and Budget (i.e., the Office of Personnel Management and the Department of the Treasury). Since these costs are not actually paid to the other agencies, an imputed financing source (revenue) is recorded to offset these costs.

The \$53.7 million and \$51.4 million of imputed financing for fiscal years 2001 and 2000, respectively, consists of \$30.8 million and \$30.1 million to offset the recorded costs of the Architect of the Capitol (Library buildings and grounds costs), \$0.6 million and \$0.7 million to offset the recorded costs of the Government Printing Office (exchange program costs), \$22.1 million and \$20.4 million to offset the recorded costs of the Office of Personnel Management (staff benefits costs) and \$0.2 million each year to offset the recorded costs of the Treasury Judgment Fund for settled legal claims for fiscal years 2001 and 2000, respectively.

THE LIBRARY OF CONGRESS
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Years Ended September 30, 2001 and 2000

22 Unexpended Appropriations

The change in unexpended appropriations consists of the following:

(Dollars in Thousands)

	2001	2000
Treasury Warrants from Appropriations	\$512,921	\$385,946
Non-Expenditure Transfers from other agencies*	6,600	9,738
Other Miscellaneous Changes, Net	(2)	
Canceled Authority	(3,710)	(3,643)
Rescissions	(1,194)	(1,592)
Appropriated Capital Used	(390,976)	(382,442)
Increase in Unexpended Appropriations	\$123,639	\$8,007

*\$4,300 from U.S. Capital Police Board, \$2,500 from the Office of the President and \$200 to Architect of the Capitol in fiscal year 2001; \$10,000 from Agency for International Development and \$262 to the U.S. Senate in fiscal year 2000.

THE LIBRARY OF CONGRESS
NOTES TO THE FINANCIAL STATEMENTS
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23 *Budgetary Resources*

Budgetary resources are classified as follows:

(Dollars in Thousands)

	2001			2000		
	Appropriated Capital	Non- Appropriated Capital	COMBINED	Appropriated Capital	Non- Appropriated Capital	COMBINED
Budgetary Resources:						
Budget Authority	\$519,754	\$299,069	\$818,823	\$395,684	\$245,746	\$641,430
Unobligated balances - beginning of period	16,542	663,832	680,374	19,050	\$827,052	846,102
Spending authority from offsetting collections	(289)	95,423	95,134	629	97,258	97,887
Adjustments, net	1,415	6,909	8,324	(3,656)	3,061	(595)
Total budgetary resources	\$537,422	\$1,065,233	\$1,602,655	\$411,707	\$1,173,117	\$1,584,824
Status of Budgetary Resources:						
Obligations incurred, new	\$401,396	\$448,270	\$849,666	\$394,932	\$505,416	\$900,348
Unobligated balance - available	128,184	606,315	734,499	8,767	652,965	661,732
Unobligated balance - not available	7,842	10,648	18,490	8,008	14,736	22,744
Total, status of budgetary resources	\$537,422	\$1,065,233	\$1,602,655	\$411,707	\$1,173,117	\$1,584,824
Outlays						
Obligations incurred	\$401,396	\$448,270	\$849,666	\$394,932	\$505,416	\$900,348
Less: spending authority from receipts and adjustments	6,030	103,295	109,325	2,208	101,437	103,645
Subtotal	395,366	344,975	740,341	392,724	403,979	796,703
Obligated balance, net - beginning of period	92,174	45,545	137,719	79,500	42,912	122,412
Less: obligated balance, net - end of period	92,904	42,710	135,614	92,171	41,446	133,617
Total outlays	\$394,636	\$347,810	\$742,446	\$380,052	\$405,445	\$785,498

(1) The net amount of budgetary resources obligated for undelivered orders-unpaid, ending balance, is \$97.3 million and \$96.3 million, which consists of \$64.5 million and \$61.0 million of appropriated funds and \$32.8 million and \$35.3 million of non-appropriated funds for the fiscal years 2001 and 2000, respectively.

(2) There was a \$4.1 million adjustment to decrease the unobligated beginning balance and increase the obligated beginning balance of budgetary resources. This was made to reverse the FY 2000 recognition of budgetary resources from federal receivables in non-revolving trust funds.

(3) For trust funds, approximately \$9.1 million and \$12.5 million of unobligated authority, at the donor's request, is restricted from being spent on program costs (income from investing restricted donations under the Library's Total Return Policy can be spent on program costs). These amounts are invested either in the permanent loan or in Treasury securities. An additional \$69.5 and \$16.0 million of restricted authority has been obligated and expended to invest in non-Treasury securities for the fiscal years 2001 and 2000, respectively.

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(4) There has been no contributed capital received during fiscal year 2001 and fiscal year 2000.

(5) The Library is restating its fiscal year 2000 Combined Statement of Budgetary Resources and Combined Statement of Financing to be more consistent with budget execution information reported in the Budget of the United States Government. In the fiscal year 2000 statements, trust and special fund receipts were reported on the Spending Authority from Offsetting Collections line in the Budgetary Resources section of the Statement of Budgetary Resources. The receipts from this line were also reported as an offset in the Outlays section of the Statement of Budgetary Resources, resulting in a lower outlay amount. To be consistent with budget execution information reported in the Budget of the United States Government, these receipts should be reported as Budget Authority and not Spending Authority from Offsetting Collections. As amounts reported as Budget Authority do not result in an offset in the Outlays section of the Statement of Budgetary Resources, total outlays are higher than originally reported. To make this change, the Budget Authority line has been increased by \$245.7 million, the Spending Authority from Offsetting Collections line has been decreased by \$245.7 million and total outlays have been increased by \$245.7 million. The effects on the Combined Statement of Financing, besides the lines that directly come from the Combined Statement of Budgetary Resources, include a decrease in the Nonexchange revenue not in the budget line of \$25.1 million and a decrease in the Trust/Special fund exchange revenue receipts line of \$220.6 million.

24 <i>Subsequent Events</i>

1. As a precautionary measure, the Library's three Capitol Hill buildings closed on October 17, 2001, for testing for the anthrax bacteria. While the three buildings reopened on October 25, 2001, no United States Postal Service (USPS) mail has been delivered to the Library since the closing. Mail from Federal Express and United Parcel Service, and courier mail have been received. All mail addressed to Capitol Hill (including the Senate, House and Library of Congress) is being held offsite by the USPS pending development of an appropriate process for its treatment and delivery. The lack of delivery of library materials, copyright deposits, cash receipts for revolving fund activities, invoices from suppliers and other incoming mail items have affected greatly Library activities that depend on incoming mail for normal operations. The Congress approved a \$9 million supplemental appropriation for the Library in order to resume mail delivery and take necessary precautions to protect Library staff. The Library anticipates receiving USPS mail during February 2002.

2. The Center for Russian Leadership Development was created in the Legislative Branch Appropriations Act, 2000, Public Law 106-554, December 21, 2000, for the purpose of establishing a program to enable emerging political leaders of Russia at all levels of government to gain significant firsthand exposure to the American free market economic system and the operation of American democratic institutions through visits to government and communities at comparable levels in the United States. The Library of Congress was authorized to be the administering agency for the pilot program until September 30, 2001. As the administering agency, the Library included in its financial statements the assets, liabilities and results of operations of the program through the date of completion of the pilot program. On October 1, 2001, the Library transferred from its accounts \$11.7 million of net assets to the Russian Leadership Development Center Trust Fund.